

# DE MONTFORT UNIVERSITY

## TREASURY MANAGEMENT POLICY

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DE MONTFORT UNIVERSITY  
TREASURY MANAGEMENT POLICY STATEMENT

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## 1 TREASURY MANAGEMENT POLICY STATEMENT

- 1.1 This statement sets out the policies, practices and objectives of De Montfort University treasury management activities, as agreed by the University Finance and Human Resource Committee. The University adopts the key recommendations of The Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management in the Public Services: Code of Practice.
- 1.2 CIPFA publish the Code of Practice on Treasury Management in conjunction with the Higher Education Funding Council for England (HEFCE) and recommend that the broad guidelines contained therein are followed and adopted by all Higher Education Institutions.
- 1.3 The Code is intended to supplement the advice given by the funding body (HEFCE) on financial management generally and in certain cases treasury management specifically. Where the Code is of value is in detailing the constituent parts of effective treasury management and providing a framework for best practice.
- 1.4 In accordance with the CIPFA Code of Practice, the University defines its treasury management activities as follows:
- The management of the institution's investments and cash flows, its banking, money market and capital market transactions, the effective control of the risk associated with those activities; and the pursuit of optimum performance consistent with those risks.
  - The successful identification, monitoring and control of risk is to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation.
  - Effective treasury management will provide support towards the achievement of its business objectives. Achieving value for money in treasury management, and employing suitable performance measurement techniques, within the context of effective risk management, are the guiding principles.
- 1.5 The key objectives of the Treasury management function, taking due account of the above, are to:
- Ensure sufficient liquidity to meet the University's funding requirements in both the short and long term.
  - Provide effective management of surplus cash funds.
  - Provide a robust and responsive risk management framework.
  - Ensure that the University can service any external debt/borrowing by effective management of interest expense, and adhere to financial covenants.
  - Oversee and maintain effective banking arrangements, including banking relationships.
  - Avoid directly investing funds in areas that would conflict with the University's core aims and objectives.

- 1.6 The treasury management activity will be informed (and driven) by the University Financial Sustainability Framework, which seeks to:
- provide for the long term sustainability of the University.
  - provide effective management and generation of sources in support of the strategic plan, in order to ensure that the University can invest in the future from a robust and healthy financial base.
- 1.7 The Treasury Management policy, in supporting the University's Financial sustainability Framework, will have due regard to:
- Financial health, including financial plans and forecast.
  - Cash flow forecasts and requirements, including capital investments and disposals.
  - Working capital management, including debt management and creditor payment policy, income, payments and payroll.

## 2 TREASURY MANAGEMENT PRACTICES

### 2.1 RISK MANAGEMENT

#### 2.1.1 General Statement

The Director of Finance will design, implement and monitor all arrangements for the identification, management and control of treasury management risk, will report at least annually on the adequacy/suitability thereof, and will report to The University Finance and Human Resource Committee, as a matter of urgency, the circumstances of any actual or likely difficulty in achieving the institution's objectives in this respect. The arrangements which seek to ensure effective management of key Treasury risks, as detailed in the code of practice, are set out below.

#### 2.1.2 Credit risk management

De Montfort University regards a key objective of its treasury management activities to be the security of the principal sums it invests. Accordingly, it will ensure that its counterparties and limits reflect a prudent attitude towards organisations with which funds may be deposited, and will limit its investment activities to the instruments, methods and techniques referred to in this document.

#### 2.1.3 Liquidity risk management

*The risk that cash will not be available when it is needed, that ineffective management of liquidity creates additional unbudgeted costs and that the institution's business objectives will be thereby compromised.*

De Montfort University will ensure it has adequate though not excessive cash resources, borrowing arrangements, overdraft or standby facilities to enable it at all times to have the level of funds available to it which are necessary for the

achievement of its business objectives. A formal medium term cash flow plan is to be maintained to ensure the working capital is available when needed.

The University will only borrow in advance of need where there is a clear business case for doing so and will only do so for the current capital programme.”

#### 2.1.4 Interest rate risk management

*The risk that fluctuations in the levels of interest rates create an unexpected or unbudgeted burden on the institution's finances, against which the institution has failed to protect itself adequately.*

De Montfort University will manage its exposure to fluctuations in interest rates with a view to containing its interest costs, or securing its interest revenues while maintaining the security of the invested funds. It will achieve this by the prudent use of its approved financing and investment instruments, methods and techniques, primarily to create stability and certainty of costs and revenues but at the same time retaining a sufficient degree of flexibility to take advantage of unexpected, potentially advantageous changes in the level or structure of interest rates.

#### 2.1.5 Exchange rate risk management

*The risk that fluctuations in foreign exchange rates create an unexpected or unbudgeted burden on the institution's finances, against which the institution has failed to protect itself adequately.*

De Montfort University will normally retain funds in currencies only to the extent that payments are due to be made in these currencies. Currency receipts surplus to this will be transferred into sterling at the best rate achievable, but always retaining a sufficient degree of flexibility to take advantage of unexpected, potentially advantageous changes in the level of exchange rates. Forward purchase of currency may be considered for a future, high demand for such currency where the amount and timing of the need is known. This must be authorised by the Director of Finance.

#### 2.1.6 Inflation risk management

*The risk that prevailing levels of inflation cause an unexpected or unbudgeted burden on the institution's finances, against which the institution has failed to protect itself adequately.*

De Montfort University will manage its exposure to varying levels of inflation, insofar as they can be identified as impacting directly on its treasury management activities, as an integral part of its strategy.

#### 2.1.7 Credit and counterparty risk management

*The risk of failure by a third party to meet its contractual obligations to the institution under an investment, borrowing, capital, project or partnership financing, particularly as a result of the third party's diminished creditworthiness, and the resulting detrimental effect on the institution's capital or revenue resources.*

De Montfort University regards a prime objective of its treasury management activities to be the security of the principal sums it invests. Accordingly, it will ensure that its counterparty list is constructed with security in mind, but with a reasonable spread to make the most of market conditions. The limits and parameters used to define the approved counterparty list are set out in the schedule to this document. The list will be reviewed on a continuing basis and at least annually. The Director of Finance will have the authority to temporarily remove (and then to reinstate) any counterparty, if any current issues should result in concerns and doubts over that counterparty's ability to repay funds.

#### 2.1.8 Refinancing risk management

*The risk that maturing borrowings, capital, project or partnership financings cannot be refinanced on terms that reflect the provisions made by the institution for those refinancing, both capital and revenue, and/or that the terms are inconsistent with prevailing market conditions at the time.*

De Montfort University will ensure that its borrowing, private financing and partnership arrangements are negotiated, structured and documented, and the maturity profile of the monies so raised are managed, with a view to obtaining offer terms for renewal or refinancing, if required, which are competitive and as favourable to the institution as can reasonably be achieved in the light of the market conditions prevailing at the time.

It will actively manage its relationships with its counterparties in these transactions in such a manner as to secure this objective, and will avoid over reliance on any one source of funding if this might jeopardise achievement of the above.

#### 2.1.9 Legal and regulatory risk management

*The risk that the institution itself, or a third party with which it is dealing in its treasury management activities, fails to act in accordance with its legal powers or regulatory requirements, and that the institution suffers losses accordingly.*

De Montfort University will ensure that all of its treasury management activities comply with its statutory powers and regulatory requirements. The University further recognises that future legislative or regulatory changes may impact upon its treasury management activities and, so far as it is reasonably able to do so, will seek to minimize the risks of these impacts adversely on the organisation.

#### 2.1.10 Fraud, error and corruption, and contingency management

*The risk that an institution fails to identify the circumstances in which it may be exposed to the risk of loss through fraud, error, corruption or other eventualities in its treasury management dealings, and fails to employ suitable systems and procedures and maintain effective contingency management arrangements to these ends.*

De Montfort University will ensure that it has identified these circumstances and has taken the appropriate action. Accordingly it will employ suitable systems and procedures and will maintain effective contingency management arrangements including the provision of appropriate and adequate insurance cover.



#### 2.1.11 Market risk management

*The risk that, through adverse market fluctuations in the value of the principal sums an institution invests, its stated treasury management policies and objects are compromised, against which effects it has failed to protect itself.*

De Montfort University will seek to ensure that its stated treasury management policies and objectives will not be compromised by adverse market fluctuations in the value of the principal sums it invests, and will accordingly seek to protect itself from the effects of such fluctuations.

#### 2.1.12 Covenant breach risk

*The risk that the institution fails to meet terms set by lenders which leads to default of loan(s), and the resulting withdrawal of credit facilities.*

De Montfort University will monitor and report on loan covenant compliance on a regular basis appropriate to the risk. The University will seek to minimise the security requirements of new debt and maximise the opportunity of the existing debt portfolio.

A schedule of compliance will be produced at the Interim and Annual Accounts date for review by the Director of Finance.

The latest schedule, along with existing loan agreements, will be included in the data used in decision making for future loans (see 0 below)

### 3 PERFORMANCE MEASUREMENT

3.1 De Montfort University is committed to the pursuit of value for money in its treasury management activities, and to the use of performance methodology in support of that aim, within the framework set out in its treasury management policy statement.

3.2 Accordingly, the treasury management function will be the subject of regular examination of alternative methods of service delivery, and of the scope for other potential improvements. The performance of the treasury management function will be measured using the criteria as recommended by the CIPFA Code of Practice.

### 4 DECISION MAKING AND ANALYSIS

De Montfort University will maintain full records of its treasury management decisions, and of the processes and practices applied in reaching those decisions, both for the purposes of learning from the past, and for demonstrating that reasonable steps were taken to ensure that all issues relevant to those decisions were taken into account at the time. The issues to be addressed and processes and practices to be pursued in reaching decisions are detailed in the Schedule to this document.

### 5 APPROVED INSTRUMENTS, METHODS AND TECHNIQUES

De Montfort University will undertake its treasury management activities by employing only those instruments, methods and techniques as recommended by the CIPFA Code of Practice, and within the limits and parameters defined in the schedule to this document, as approved by The University Finance and Human Resource Committee.

## 6 ORGANISATION, CLARITY AND SEGREGATION OF RESPONSIBILITIES, AND DEALING ARRANGEMENTS.

6.1 De Montfort University considers it essential, for the purposes of the effective control and monitoring of its treasury management activities, the reduction of the risk of fraud or error, and for the pursuit of optimum performance, that these activities are structured and managed in a fully integrated manner, and that there is at all times a clarity of treasury management responsibilities. The principle on which this will be based is a clear distinction between those charged with setting treasury management policies and those charged with implementing and controlling these policies, particularly with regard to the execution and transmission of funds, the recording and administering of treasury management decisions, and the audit and review of the treasury management function.

6.2 The Director of Finance will ensure that there are clear written statements of the responsibilities for each post engaged in treasury management, and the arrangements for absence cover. These are detailed in the Schedule to this document.

The Director of Finance will also ensure that at all times those engaged in treasury management will follow the policies and procedures set out.

6.3 The Director of Finance will ensure there is proper documentation for all deals and transactions, and that procedures exist for the effective transmission of funds. The present arrangements are detailed in the University's Cash Management Procedures.

## 7 REPORTING REQUIREMENTS AND MANAGEMENT INFORMATION ARRANGEMENTS

7.1 De Montfort University will ensure that regular reports are prepared and considered on the implementation of its treasury management policies; on the effects of decisions taken and transactions executed in pursuit of those policies; on the implications of changes, particularly budgetary, resulting from regulatory, economic, market or other factors affecting its treasury management activities; and on the performance of the treasury management function.

7.2 As a minimum, The University Finance and Human Resource Committee will receive:

- an annual report on the strategy and plan to be pursued in the coming year;
- a mid year review

- an annual report on the performance of the treasury management function during the year, including the reasons for and the effects of any changes to the strategy set at the beginning on the year. This annual report should be reported to the Full Board.
- an annual report on the performance of any external service providers.
- Further details are set out in the Schedule to this document.

## 8 BUDGETING, ACCOUNTING AND AUDIT ARRANGEMENTS

8.1 The Director of Finance will ensure that the Treasury Management function is adequately resourced in the annual budget, will exercise effective controls over this budget, and will report upon and recommend any changes required to the Finance and Human Resources Committee.

8.2 De Montfort University will account for its treasury management activities, for decisions, made and transactions executed, in accordance with appropriate accounting practices and standards, and with statutory and regulatory requirements in force for the time being.

8.3 De Montfort University will ensure that its auditors, and those charged with regulatory review, have access to all information and papers supporting the activities of the treasury management function as are necessary for the proper fulfilment of their roles, and that such information and papers demonstrate compliance with external and internal policies and approved practices.

## 9. DEBT MANAGEMENT

9.1 The provision of any external borrowings for short term or longer term needs, must be on a cost effective basis, and clearly support the University's strategy and financial sustainability framework.

9.2 The Director of Finance has the authority to drawdown; repay and re-borrow funds under the terms of existing approved facilities. Any arrangements for new facilities must have the specific approval of the University Finance and Human Resources Committee.

9.3 The sources and type of debt instruments, methods and techniques, along with limits and parameters, are defined in the Schedule to this document, as approved by the University Finance and Human Resource Committee.

## 10 CASH AND CASH FLOW MANAGEMENT

10.1 Unless statutory or regulatory requirements demand otherwise, all monies in the hands of the University will be under the control of the Director of Finance, and will be aggregated for cash flow and investment management purposes. Cash flow projections will be prepared on a

regular and timely basis, and will be presented to the Finance and Human Resource Committee for monitoring and review.

10.2 Standard Settlement Agreements should be set up to secure transfers of cash from the Counterparties where possible.

## 11 WORKING CAPITAL

### 11.1 Income Management

#### 11.1.1 General:

DMU aims to collect and manage all income efficiently, promptly and in accordance with the contract and the Financial Regulations of the University. Maximum use will be made of IT to manage income.

Standard Payment Terms, other than those agreed and published in the Student Regulations will be 30 Days. Requests for any changes to the standard terms for individual contracts must be authorised by the Director of Finance. A business case, complete with a financial and business benefit, must be submitted with the request.

#### 11.1.2 Income Sources

DMU receives income from a number of sources:

- Funding Council Grants
- Student Tuition Fees;
- Student Accommodation Charges;
- Research Grants and contracts
- other fees and charges;
- sundry debts;

#### 11.1.3 Payment Options:

DMU offers a number of payment options to debtors:

- Direct Debit;
- credit or debit card;
- cheque,
- Internet.
- BACS
- CHAPS
- In exceptional circumstances cash will be accepted, having in mind the risks in relation to money laundering

#### 11.1.4 Customer Information

Invoices, where appropriate, will be dispatched at the earliest opportunity after receipt of an authorized request to raise an invoice.

Statements will be issued as requested by the customer. Tuition Fee status can be accessed by the student on line.

### 11.1.5 Debt Collection

DMU takes a firm but fair approach to non-payment. Any legal and economically viable method will be used to recover debt, In the case of students this will include support in arranging a payment plan, escalating to recovery through a debt collection Agency and as a last resort to the Small Claims Court.

Provision for bad debts is made in accordance with best accounting practice.

Where a debt is deemed irrecoverable it will be written off in accordance with DMU Debt Write Off Policy.

## 11.2 Payables Management

### 11.2.1 General:

All invoices should be addressed to the Accounts receivable section and logged in the Finance system prior to authorisation.

Invoices must be correctly authorised in accordance with DMU Financial Regulations prior to payment and payment will be made in accordance with DMU Terms and Conditions.

A monthly payment of authorised payments will be made although a weekly payment run will take place for payments that are urgent.

### 11.2.2 Payment methods:

- BACS
- CHAPS
- Cheque

Creditors are to be encouraged to accept payment by BACS to reduce the processing costs, improve the control of payments and reduce the possibility of cheque fraud.

The payment runs will be authorised by a signatory at a senior level having in mind segregation of duties around processing and authorising payments.

## 11.3 Payroll

### 11.3.1 General

The entry of new entrants and leavers on to the system can only be processed within the Payroll system on correct authorisation from the Human Resources Department. Payment of enhancements, additions and Business Expenses must be correctly authorised prior to entry into the Payroll System.

### 11.3.2 Payment methods:

There will only be one salary pay run per month, by BACS. Only in very exceptional circumstances will Salaries be paid by cheque and never by cash.

The salary BACS run will be authorised by a delegated signatory before transmission.

## 12 MONEY LAUNDERING

De Montfort University is alert to the possibility that it may become the subject of an attempt to involve it in a transaction involving the laundering of money. Accordingly, it will maintain procedures for verifying and recording the identity of counterparties and reporting suspicions, and will ensure that staff involved in this are properly trained.

## 13 TRAINING AND QUALIFICATIONS

De Montfort University recognises the importance of ensuring that all staff involved in the treasury management function are fully equipped to undertake the duties and responsibilities allocated to them. It will, therefore, seek to appoint individuals who are both capable and experienced and will provide training for staff to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills. The Director of Finance will recommend and implement the necessary arrangements.

The Director of Finance will ensure that Finance and Human Resources Committee members tasked with treasury management responsibilities, including those responsible for scrutiny, receive training relevant to their needs and those responsibilities.

## 14 USE OF EXTERNAL SERVICE PROVIDERS

De Montfort University recognises that whilst at all times responsibility for treasury management decisions remains with the organisation there is the potential value of employing external providers of treasury management services, in order to acquire access to specialist skills and resources. When it employs such service providers, it will ensure it does so for reasons which will have been submitted to a full evaluation of the costs and benefits. It will also ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review. Further, it will ensure, where feasible and necessary, that a spread of service providers is used, to avoid over reliance on one or a small number of companies. Where services are subject to formal tender or re-tender arrangements, legislative requirements will always be observed. The monitoring of such arrangements is set out in the Schedule to this document.

## 15 CORPORATE GOVERNANCE

De Montfort University is committed to the pursuit of proper corporate governance throughout its businesses and services, and to establishing the principles and practices by which this can be achieved. Accordingly, the treasury

management function and its activities will be undertaken with openness and transparency, honesty, integrity and accountability.

## 16 BANKING ARRANGEMENTS

- 16.1 De Montfort University recognises the importance of ensuring effective control over its bank accounts. In line with Financial Regulations, all funds due to the University are deposited in accounts with the University's main bank unless otherwise approved by the Director of Finance.
- 16.2 Banking arrangements will be subject to periodic review with the Bank's Relationship manager on a regular basis. Additionally, a value for money review of the Banking contract will be undertaken within a period not exceeding five years and the results reported to the Finance and Human Resources Committee.
- 16.3 European Union Partnership Research Projects and Schemes where DMU are the lead partner require that EU Grants are lodged in a unique Euro account. Where such accounts are required, the Director of Finance will have the authority to open such accounts. All such Accounts opened will be reported to the next Finance and Human Resources Committee.
- 16.4 Other than the EU Partnership Accounts detailed above, No other accounts or funds associated with or maintained for the purposes of the University will be open or closed except with the authorisation of the Finance and Human Resource Committee.
- 16.5 All Bank Accounts will be reviewed twice per week with the automatic reconciliation run and fully reconciled at the end of each of the twelve accounting periods of the financial year.

## DE MONTFORT UNIVERSITY

### SCHEDULES TO THE STATEMENT OF THE TREASURY MANAGEMENT PRACTICES

#### SCHEDULE A – RISK MANAGEMENT

##### A.1. LIQUIDITY

The University's policy is to maintain as a minimum, cash balances equivalent to one month's operating and payroll costs plus a twenty percent margin.

The Director of Finance is authorised to arrange short-term overdraft facilities with the University's bankers.

##### A.2. EXCHANGE RATE EXPOSURE POLICY

The University's policy is to avoid any speculative and unplanned exposure to exchange rate fluctuations.

Currency receipts should be transferred into sterling within one month of receipt, except where currency payments are due to be made. In this situation, sufficient currency should be retained on deposit to cover the payments. Forward purchase of currency may be considered where there is a future demand for the currency, and the amount and timing for the need is known. This must be authorised by the Director of Finance.

No investments will be made in foreign currencies.

The Director of Finance is authorised to buy and sell currencies with any of the organisations listed below.

<u>Institution</u>	<u>Limits</u>
UK Clearing Banks	\$10 million Euro 5 million
Financial Brokers (Registered by the FSA)	\$10 million Euro 5 million

The limits set out above may be amended only with approval of the University's Finance and Human Resource Committee.

##### A.3. CREDIT AND COUNTERPARTIES



The Director of Finance is responsible for monitoring closely the credit standing of all counterparties. Where there is reason to believe that counterparty's credit standing is or may become impaired, lower limits than those set out in this schedule should be applied or the use of that counterparty should cease.

The Director of Finance is authorised to deposit surplus funds of the institution in sterling with any organisation that meets the criteria detailed below, or the UK Government, to ensure achievement of the best returns available.

In this Policy the cap identified for investments at individual Banks or institutions will include all cash at that Bank or institution including, but not exclusively, deposit accounts, current accounts or any form of special interest bearing account.

### A.3.1 Investments and limits

The maximum level of investment for each of the counterparties is set out below along with the term (length) of the investment. Deposits and Investments will be determined according to need to balance liquidity, credit and interest risk.

The need for liquidity will determine the amounts out on short term with lower levels of return whilst a slightly higher credit risk.

The longer term investments will not allow for high levels of liquidity but will improve the credit risk and interest rates achieve. It is this class of investment that will be used to reduce the cost of carry in the initial stages of a Bond.

#### A.3.1.1

The minimum rating for each length of deposit is determined by the risk and is set out in the table below:

Deposit	Term		Moody's Rating	
			Short Term	Long Term
Short term	Up to (and including) one year	Overnight or on Demand	P-3	
		Up to 95 Days	P-2	
		Up to one year	P-1	
Long Term	Up to 5 Years		P-1	Aa3

### A.3.1.2 Counterparty Limits

Deposit	Term		Limit of Counterparty
Short term	UK Banks, Institutions or instruments that meet the Policy Criteria.	Overnight or on Demand	£20m
		Up to 95 Days	£10m <sup>Note 1</sup>
	Note 1 Where the deposit is with a 'semi nationalised' Bank.	Up to one year	£20m
Long Term	i.e. Lloyds, RBS, or Natwest. The limit will be £20m	Up to 5 Years	£20m

Overnight and short term (less than 30 days) shall termed 'liquid' funds to match the definition in the Bond Deed. Liquid funds shall be maintained at a sufficient level to cover liquidity needs, both operationally and strategically to retain the confidence of the long term creditors of the University. It is recognised that such deposits will attract a lower return of return than investments out over longer terms.

Investments put out over the longer term will reduce the credit risk, improve rates of return but worsen the liquidity risk

The Policy Criteria of the institution to which reference is made in the terms above are described in detail in A.3.2 below.

### A.3.2. The approved criteria

#### Counterparties:

A British registered Bank or Building Society  
Registered as such with the Prudential Regulation Authority (PRA)

Identified by a unique registration number in the Financial Services Register (FS Register) issued by the PRA.

A suitable Money Market Manager

#### Deposits, investments and instruments to the levels set out above:

Cash deposits with clearing banks

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UK Government Bonds/Gilts (including and Bonds issued by the University).

Sterling Money market funds

UK Corporate bonds

Commercial paper issued by UK companies

The criteria set out above may be amended only with approval of the University's Finance and Human Resource Committee

#### A.4. INVESTMENT MONITORING

Investments will be monitored on a ongoing basis to determine:

Ratings of counterparties

Liquidity requirements from cash flow forecast.

This requires a detailed cash flow over a rolling twelve months and an outline for the following two years. Decisions on the term of any investment must ensure that there will be sufficient liquidity for day to day needs and other creditor demands and the committed overdraft facilities with the bank.

A mix of deposits should be used to provide a rolling balance of terms to maximise income and secure liquidity.

Maturity dates of existing investments

Current Interest rates

#### A.5. ASSET FUNDING REFINANCING

Where it is the intention of the institution to raise capital for new institutional projects, the Director of Finance will have regard to:

- the level of security for the project.
- the value of assets already held as security on existing capital projects.
- requirements of the financial memorandum with the funding council.
- statutory restrictions and the institution's own powers and rules.
- restrictions on the institution's use of its property assets required by covenants.
- the maximum level of assets that should be provided as security without risking the overall stability of the institution.

- The Financial covenants of existing loans
- The effect of future movements in interest rates

The overall level of external borrowings should not exceed the maximum level set out in the University's Financial sustainability framework, as approved by the Finance and HR Committee.

## SCHEDULE B –VALUE FOR MONEY AND PERFORMANCE MEASUREMENT

### B.1 FREQUENCY AND PROCESS FOR TENDERING

The Director of Finance is responsible for the appointment of the following service providers with the approval of the University Finance and Human Resource Committee:

- Fund management services
- Financial advisory services
- Cash management, money broking services and general financial advice.

Where provided these services will be subject to tender at least every three to five years.

The tender process will be that normally followed by the University, contained within its Financial Regulation and Purchasing Policy.

The Director of Finance will review regularly the quality and cost of banking services and if deemed necessary will seek Finance and Human Resource Committee's approval for a tender exercise in respect of these services.

### B.2 PERFORMANCE MEASUREMENT

#### B.2.1 In-House Performance

Ensure the best rate of return without loss of the capital base. (see 2.1.4)

#### B.2.2 Investment Managers

Benchmarks and reporting requirements are to be set out in Agreement with the Investment Manager, and as approved by Finance and Human Resource Committee.

#### B.2.3 Cash Managers

Benchmarks and reporting requirements are to be set out in Agreement with the Cash Manager, and as approved by Finance and Human Resource Committee

## SCHEDULE C – APPROVED INSTRUMENTS, METHODS AND TECHNIQUES

### C.1 INVESTMENT AND DEPOSIT OF SURPLUS FUNDS

C.1.1 The over-riding principle guiding the investment of surplus funds is to achieve a satisfactory return while reducing the risk to a level acceptable to the University.

C.1.2 Surplus cash balances may be invested as follows:

- Deposits with approved banks.
- Deposits with approved Building Societies.
- Money Market funds
- Commercial Paper
- Corporate Bonds
- UK Government Bonds (Gilts) and UK Government Treasury Bills.

These investments are limited as determined in Schedule A (see A.3 above).

Equities will not be purchased without the explicit authority of the Finance and Human Resources Committee.

Investments will not be made in foreign currencies

## SCHEDULE D – ORGANISATION, SEGREGATION OF RESPONSIBILITIES AND DEALING ARRANGEMENTS.

### D.1 Finance and Human Resource Committee

- Approval of or amendments to the organisation's adopted clauses, treasury management policy statement and treasury management practices.
- Budget consideration and approval.
- Approval of the division of responsibilities.
- Approving the selection of external service providers and agreeing terms of appointment.

### D.2 Director of Finance

- Recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance.
- Submitting regular treasury management policy reports.
- Submitting budgets and budget variations.
- Receiving and reviewing management information reports.
- Reviewing the performance of the treasury management function and promoting value for money reviews.
- Ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function.
- Recommending the appointment of external service providers.

### D.3 Head of Transaction Services

- Recommend Deals. Deals are authorised by two staff from the Delegated Authority list.
- Adherence to agreed policies and practices on a day-to-day basis.
- Develop and maintain relationships with third parties and external service providers.
- Monitoring performance
- Submitting management information reports to the Director of Finance.

- Identifying and recommending opportunities for improved practices.

#### D.4 Treasury Manager

- Deputise for Head of Transaction Services
- Execution of transactions.
- Recommend Deals. Deals are authorised by two staff from the Delegated Authority list.
- Ensure adherence to agreed policies and practices on a day-to-day basis.
- Maintain relationships with third parties and external service providers.
- Supervising treasury management staff.
- Monitoring performance on a day-to-day basis.
- Prepare management information for reporting to the Director of Finance.
- Identifying and recommending opportunities for improved practices.

#### D.5 Arrangements in the Absence of the Head of Transaction Services

In the absence of the Exchequer Accountant, to provide continuity of management of daily operations, other Senior Staff, according to their availability, will be responsible for ensuring on a day-to-day basis:

- Execution of transactions.
- Adherence to Treasury Management Policies and Practices.
- Supervision of treasury management operating staff.
- Monitoring of performance.

The Senior Staff responsible in order of availability are:

- The Deputy Director of Finance
- The Head of Management Accounting Services
- A Central Management Accountant, as designated by the Head of Management Accounting Services
- The Director of Finance.



## SCHEDULE E – REPORTING REQUIREMENTS.

The following matters should be included in the Reports to Finance and Human Resource Committee.

### E.1 Annual Report

- Commentary on treasury operations for the year.
- Cash flow compared with budget and commentary on variances.
- Annual financial strategy for the next financial year.
- Proposed amendments to the treasury management policy statement.
- Matters in respect of which the treasury management policy statement has not been complied with.
- Opening of EU Partnership Euro Bank Accounts. (see 16 above)

### E.2 Quarterly Reports

- Analysis of currently outstanding loans, deposits and investments by instrument, counterparty, maturity and interest rollover period.
- Commentary on treasury operations for the period.
- Cash flow compared with budget and commentary on variances.
- Commentary on continued applicability of annual financial strategy and proposals for amendments thereto.
- Revisions to following twelve months cash flow forecast and to estimates of future interest rates; effect on annual financial strategy and on revenue budget.

### E.3. Other Reports

For distribution internally:

- Daily Cash Report.
- Monthly cash flow report
- Monthly debt reports.

## SCHEDULE F - STANDARD & POOR'S RATINGS DEFINITIONS.

### F.1 Long Term Credit Rating Definitions

- AAA** An organisation rated 'AAA' has the highest rating assigned by Standard & Poor's. The organisation's capacity to meet its financial commitment is **EXTREMELY STRONG**.
- AA** An organisation rated 'AA' differs from the highest-rated obligations only to a small degree. The organisation's capacity to meet its financial commitment is **VERY STRONG**.
- A** An organisation rated 'A' is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than organisations in higher-rated categories. However, the organisation's capacity to meet its financial commitment is still **STRONG**.
- BBB** An organisation rated 'BBB' exhibits **ADEQUATE** protection parameters. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity to meet its financial commitment.
- BB** An organisation rated 'BB' is less vulnerable to non-payment but faces major ongoing **UNCERTAINTIES** or exposure to adverse business, financial, or economic conditions which could lead to the organisation's inadequate capacity to meet its financial commitment.
- B** An organisation rated 'B' is **VULNERABLE**. Adverse business, financial, or economic conditions will likely impair the organisation's capacity or willingness to meet its financial commitment.
- CCC** An organisation rated 'CCC' is **CURRENTLY VULNERABLE**. In the event of adverse business, financial, or economic conditions, the organisation is not likely to have the capacity to meet its financial commitment.
- CC** An organisation rated 'CC' is **HIGHLY VULNERABLE**.
- C** A 'C' rating is assigned to organisations that are **CURRENTLY HIGHLY VULNERABLE**.
- D** An organisation rated 'D' is **IN PAYMENT DEFAULT**. The 'D' rating will be used upon the filing of a bankruptcy petition or the taking of a similar action.

#### Plus (+) or minus (-)

The ratings from 'AA' to 'CCC' may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the major rating categories.

### F.2 Short-Term Credit Rating Definitions

- A-1** An organisation rated 'A-1' is in the highest category by Standard & Poor's. The organisation's capacity to meet its financial commitment is **STRONG**. Within this

category, certain organisations are designated with a plus sign (+). This indicates that the organisation's capacity to meet its financial commitment.

- A-2** An organisation with a short-term rate of 'A-2' is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than organisations in higher rating categories. However, the organisation's capacity to meet its financial commitment is **SATISFACTORY**.
- A-3** An organisation with a short-term rate of 'A-3' exhibits adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to lead to a **WEAKENED CAPACITY** of the organisation to meet its financial commitment.
- B** An organisation with a short-term rate of 'B' is regarded as having **SIGNIFICANT SPECULATIVE** characteristics. Ratings of 'B-1', 'B-2', and 'B-3' may be assigned to indicate finer distinctions within the 'B' category. The organisation currently has the capacity to meet its financial commitment. However, it faces major ongoing **UNCERTAINTIES** which could lead to inadequate capacity to meet its financial commitment.
- C** An organisation with a short-term rate of 'C' is currently **VULNERABLE** and is dependent upon favourable business, financial, and economic conditions to meet its financial commitment.
- D** An organisation with a short-term rate of 'D' is **IN PAYMENT DEFAULT**. The 'D' rating will be used upon the filing of a bankruptcy petition or the taking of a similar action.

## SCHEDULE G – SCHEME OF DELEGATION OF AUTHORITIES

### G.1 General

The delegation of authority in this schedule is in two parts. Item 2, with table A, is the high level delegation and item 3, with table B, outlines the operational delegations and controls in the payments of cash, flowing from the delegations.

### G.2 High Level Delegations:

**Table A:**

<b>Treasury Policy: Delegations</b>	
Finance and Human Resource Committee:	
	Approval of Treasury Strategy
	Approval of the Treasury Policy and any amendments to the Policy
	Receive and Approve of the Annual Treasury Report
	Approval of Delegations of Authorities and Bank Mandates at the operational level (see Table B below)
	Authorisation of Borrowing or Lending.
Director of Finance:	
	Preparation of recommendations for approval and amendments to the Treasury Policy
	Ensuring compliance with the Treasury Policy
	Preparation of the Annual Treasury Report
	Maintain records of Delegations of Authorities to DMU Officers
	Day to Day dealings with counterparties in accordance with the Treasury Policy
	Appointment of Treasury Service Providers

G.3. Operational Designated Authorities and Bank Mandate in relation to Treasury:

The following Officers of the University have Designated Authority from the Finance and Human Resources Committee in relation to the Bank Mandates and payments as described below:

**Table B: Operational Designated Authorities**

Vice Chancellor
Deputy Vice Chancellor
Chief Operations Officer
Director of Finance
Deputy Director of Finance
Head of Management Accounting Services
Procurement Manager
Head of Taxation Services

Any changes to this table must be approved by the Finance and Human Resources Committee (see table A above)

G.3.1. Accounts Payable:

BACS transfers are automatic but invoices exceeding £3k are extracted, checked and signed off by the Exchequer Accountant prior to transmission. Post transmission the run is again checked by one of the designated authorisers in table B above.

Where the value is less than £20k the cheque is signed by one of the designated signatories in table B above.

If the cheque has a value of £20k or more two signatories from table B above are required.

G.3.2 Transfer of Funds, Placement of money with Counterparties:

The deposit approval is signed by two Designated Signatories from table B prior to the transfer of funds. Where a Standard Settlement Agreement is in place only one designated signatory is required.

DMU Bank undertake sample checks of transfers of high value, (over £1m) and telephone the Exchequer Accountant to confirm the amount to be transferred.

Counterparty accounts should be set up with Standard Settlement Agreements, where possible, to ensure all funds returned are to the Universities main Bank Account.

### G.3.3 Payroll.

The total of all payments to be made are produced by the payroll system. This includes total net pay, HM Revenue and Customs deductions, superannuation and voluntary deductions by Payee. The request for payment forms are matched to the system reports and authorised by the Exchequer Accountant.

## **Schedule H - Ethical Investment**

### **H.1 General.**

H.1.2 The University routinely invests funds with third party organisations through the investment of surplus funds and endowments. It also makes investments in spin-out companies and other related parties as these opportunities arise.

H.1.3 In deciding on counterparties and companies in which to invest, the University aims to remain consistent with ethical values in pursuit of its visions and values. In order to achieve these aims, the University will not knowingly invest in companies whose activities could be seen to endanger individuals or groups of people, or whose activities are inconsistent with the mission and values of the University, its community and its wider stakeholder network.

The University publishes a list of its investments to ensure open and transparent communication with its stakeholders. The University does not intentionally invest directly (or through collective funds) in organisations with high exposure to activities or substances which are injurious to health, destabilise community cohesion, threaten international stability, or contribute to the development and maintenance of poverty, the abuse of children and the use of torture.

H.1.2 In order to ensure compliance with this policy the University will:

H.1.2.1 Consider the ethical implications of investments alongside the commercial opportunities.

H.1.2.2 Allow members of the University community and other relevant stakeholders to engage with the ethical investment policy by posting the policy on the University web pages with appropriate contact details.

H.1.2.3 Ensure that where fund managers undertake the University's investments that they operate to socially responsible objectives consistent with those of the University.

### **H.2 Short Term Deposits.**

The bulk of the University's Investments are through money market deposits with UK Banks and Building Societies as described in the Treasury Policy and approved by the Finance and Human Resources Committee. (F&HRC).

The Banks and Building Societies, when considered as counterparties, are asked for details of their ethical investment policy.

### **H.3 Investments.**

H.3.1 A list of all investments is included in the Company Accounts published annually.

H.3.2 It is not the policy of the University to invest in equity holdings through the stock market. At present there are equity holdings as detailed in the Accounts published annually. In the main these are legacy holdings of minimal value resulting from the development of spin out opportunities by the University.

H.3.3 The holdings are grouped as required by statute:

- Shareholdings in subsidiary undertakings,
- Other investments
- Endowment asset investments.

#### **H.3.3.1 Other Investments**

The University also has holdings in 'spin out companies' set up to strengthen research and regional engagement; to maintain financial sustainability and develop intellectual property owned by or originating from the University

#### **H.3.3.2 Endowed Funds**

The Endowment Funds are held separately to general funds in the Coif Charities Funds. These funds are specifically for Charities, Faith Organisations and Local Authorities and are managed by CCLA Investment Management Ltd. CCLA are considered pioneers of ethical and responsible investment and are committed to pushing forward a positive agenda for change on behalf of their clients. See: <http://www.ccla.co.uk/>

### **H.4 Pension Scheme Investments**

The pension schemes used by the University are multi-employer funds constituted as separate corporate bodies with their own boards of trustees. Consequently, the schemes' funds are invested entirely separately from those of the University.